

Management Report

Cognito Solutions

7 November 2008

Amy Domican

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Executive Summary

Cognito Solutions For the month of October 2008

Summary

Cognito Solutions has enjoyed steady growth as a relative newcomer to the market.

Despite the current economic climate Cognito has not suffered major downfalls and we are confident of continued success.

Major accomplishments include the development of the Wellington City Council intranet and ongoing onsite project management for Island Road Studios.

Cognito Solutions has taken the strategic marketing approach of tailored marketing, and has worked closely with a leading design agency on an award-winning campaign.

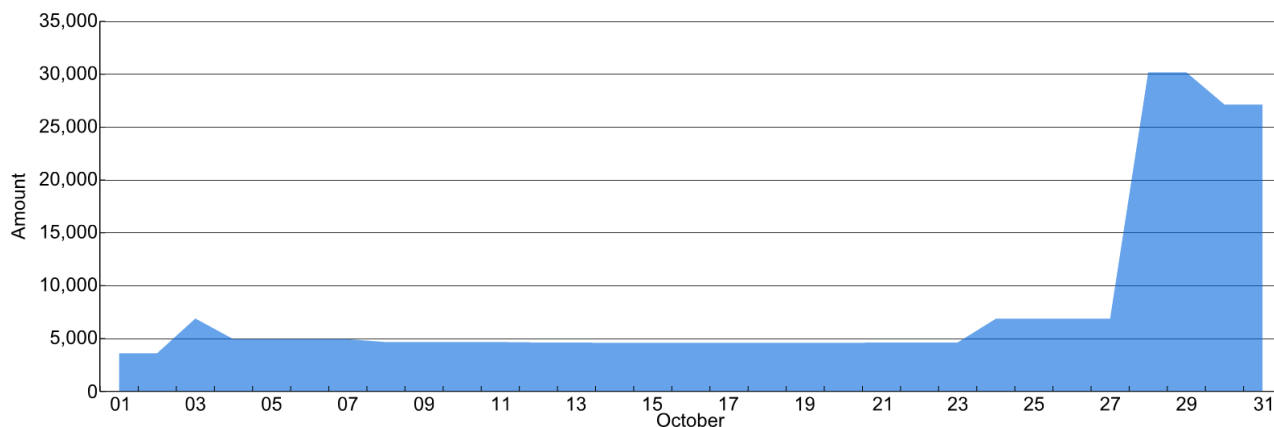
We would like to take this opportunity to recognise and thank our many supporters for their assistance in our early development.

| | Oct 2008 | Sep 2008 | Variance |
|-------------------------------|-----------|------------|----------|
| Cash | | | |
| Cash received | 29,344.15 | 2,929.56 | 901.7%▲ |
| Cash spent | 5,816.95 | 9,568.90 | -39.2%▼ |
| Cash surplus (deficit) | 23,527.20 | (6,639.34) | 454.4%▲ |
| Closing bank balance | 27,150.92 | 3,623.72 | 649.3%▲ |
| Profitability | | | |
| Income | 12,140.74 | 18,962.22 | -36.0%▼ |
| Direct costs | 1,917.00 | 1,305.00 | 46.9%▲ |
| Gross profit (loss) | 10,223.74 | 17,657.22 | -42.1%▼ |
| Expenses | 3,055.17 | 11,589.44 | -73.6%▼ |
| Profit (loss) | 7,168.57 | 6,067.78 | 18.1%▲ |
| Balance Sheet | | | |
| Debtors | 13,269.56 | 28,955.39 | -54.2%▼ |
| Creditors | 7,738.16 | 8,093.50 | -4.4%▼ |
| Net assets | 24,141.24 | 16,972.67 | 42.2%▲ |
| Performance | | | |
| Gross profit margin | 84.2% | 93.1% | -9.6%▼ |
| Net profit margin | 59.0% | 32.0% | 84.5%▲ |
| Return on investment (p.a.) | 356.3% | 429.0% | -16.9%▼ |
| Position | | | |
| Average debtors days | 33.9 | 45.8 | -26.0%▼ |
| Average creditors days | 48.2 | 18.8 | 156.2%▲ |
| Short term cash forecast | 5,531.40 | 20,861.89 | -73.5%▼ |
| Current assets to liabilities | 3.3 | 3.1 | 6.2%▲ |
| Term assets to liabilities | 0.2 | 0.0 | |

Cash Summary

Cognito Solutions For the month ended 31 October 2008 Excluding GST

Daily Balance



| | Oct 2008 | Monthly Avg | Variance |
|--------------------------------------|------------------|------------------|-----------------|
| Income | | | |
| Sales | 26,083.69 | 11,571.02 | 125.4%▲ |
| Total Income | 26,083.69 | 11,571.02 | 125.4%▲ |
| Less Operating Expenses | | | |
| Advertising | 3.11 | 84.37 | -96.3%▼ |
| Bank Fees | 0.00 | 10.00 | -100.0%▼ |
| Commission | 1,917.00 | 1,074.00 | 78.5%▲ |
| Entertainment | 63.11 | 541.04 | -88.3%▼ |
| Freight & Courier | 0.00 | 37.09 | -100.0%▼ |
| General Expenses | 38.22 | 212.80 | -82.0%▼ |
| Income Tax Expense | 0.00 | 1,009.80 | -100.0%▼ |
| Insurance | 35.56 | 23.71 | 50.0%▲ |
| Light, Power, Heating | 548.59 | 253.86 | 116.1%▲ |
| Office Expenses | 42.67 | 44.21 | -3.5%▼ |
| Printing & Stationery | 92.22 | 133.69 | -31.0%▼ |
| Rent ¹ | 1,900.00 | 983.33 | 93.2%▲ |
| Telephone & Internet | 616.66 | 439.27 | 40.4%▲ |
| Travel - Local | 110.75 | 96.32 | 15.0%▲ |
| Travel - National | 15.74 | 204.65 | -92.3%▼ |
| Rounding | 0.00 | (0.33) | 100.0%▲ |
| Total Operating Expenses | 5,383.63 | 5,147.81 | 4.6%▲ |
| Operating Surplus (Deficit) | 20,700.06 | 6,423.21 | 222.3%▲ |
| Plus Non Operating Movements | | | |
| Loan | 0.00 | 1,666.67 | -100.0%▼ |
| Total Non Operating Movements | 0.00 | 1,666.67 | -100.0%▼ |
| GST Movements | | | |
| GST Inputs | 3,260.46 | | |
| GST Outputs | (433.32) | | |
| Net GST Movements | 2,827.14 | | |

Cash Summary

| | Oct 2008 | Monthly Avg | Variance |
|--------------------------|------------------|-----------------|-----------------|
| Net Cash Movement | 23,527.20 | 8,089.88 | 190.8% ▲ |
| Summary | | | |
| Opening Balance | 3,623.72 | | |
| Plus Net Cash Movement | 23,527.20 | | |
| Closing Balance | 27,150.92 | | |

Notes

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Please refer to attached Rent Summary for a more detailed description of this account

Profit and Loss

Cognito Solutions For the month ended 31 October 2008

Summary

Cognito Solutions has had a slight decrease in profit for the month of October, but in the current economic climate this is not unexpected and we are certain that the company's situation will improve in the long-term.

| Account | Oct-08 | Sep-08 | Aug-08 | Jul-08 | YTD |
|-------------------------------------|------------------|------------------|------------------|-------------|------------------|
| Income | | | | | |
| Sales | 12,140.74 | 18,962.22 | 15,405.28 | 0.00 | 46,508.24 |
| Total Income | 12,140.74 | 18,962.22 | 15,405.28 | 0.00 | 46,508.24 |
| Less Cost Of Sales | | | | | |
| Commission | 1,917.00 | 1,305.00 | 0.00 | 0.00 | 3,222.00 |
| Total Cost Of Sales | 1,917.00 | 1,305.00 | 0.00 | 0.00 | 3,222.00 |
| GROSS PROFIT | 10,223.74 | 17,657.22 | 15,405.28 | 0.00 | 43,286.24 |
| Less Operating Expenses | | | | | |
| Advertising | (222.22) | 4,225.33 | 250.00 | 0.00 | 4,253.11 |
| Bank Fees | 0.00 | 15.00 | 15.00 | 0.00 | 30.00 |
| Entertainment | 0.00 | 63.11 | 1,560.00 | 0.00 | 1,623.11 |
| General Expenses | 38.22 | 70.22 | 529.95 | 0.00 | 638.39 |
| Insurance | 35.56 | 35.56 | 0.00 | 0.00 | 71.12 |
| Office expenditure | 694.86 | 1,358.65 | 1,095.44 | 0.00 | 3,148.95 |
| Rent | 2,000.00 | 2,000.00 | 1,050.00 | 0.00 | 5,050.00 |
| Travel expenditure | 508.75 | 792.16 | 0.00 | 0.00 | 1,300.91 |
| Total Operating Expenses | 3,055.17 | 8,560.03 | 4,500.39 | 0.00 | 16,115.59 |
| OPERATING PROFIT | 7,168.57 | 9,097.19 | 10,904.89 | 0.00 | 27,170.65 |
| Non-operating Expenses | | | | | |
| Income Tax Expense | 0.00 | 3,029.41 | 0.00 | 0.00 | 3,029.41 |
| Total Non-operating Expenses | 0.00 | 3,029.41 | 0.00 | 0.00 | 3,029.41 |
| NET PROFIT | 7,168.57 | 6,067.78 | 10,904.89 | 0.00 | 24,141.24 |

Balance Sheet

Cognito Solutions As at 31 October 2008

| | 31/10/2008 | 30/9/2008 |
|----------------------------------|------------------|------------------|
| Assets | | |
| Current Assets | | |
| Accounts Receivable | 13,269.56 | 28,955.39 |
| Total Current Assets | 13,269.56 | 28,955.39 |
| Bank | | |
| BNZ Cheque Account | 25,150.92 | 1,623.72 |
| Kiwibank Savings Account | 2,000.00 | 2,000.00 |
| Total Bank | 27,150.92 | 3,623.72 |
| Fixed Assets | | |
| Computer Equipment | 1,111.11 | 0.00 |
| Total Fixed Assets | 1,111.11 | 0.00 |
| Total Assets | 41,531.59 | 32,579.11 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | 7,738.16 | 8,093.50 |
| GST | 3,401.20 | 2,354.65 |
| Rounding | 0.99 | 0.99 |
| Unpaid Expense Claims | 1,250.00 | 157.30 |
| Total Current Liabilities | 12,390.35 | 10,606.44 |
| Term Liabilities | | |
| Loan | 5,000.00 | 5,000.00 |
| Total Term Liabilities | 5,000.00 | 5,000.00 |
| Total Liabilities | 17,390.35 | 15,606.44 |
| Net Assets | 24,141.24 | 16,972.67 |
| Equity | | |
| Current Year Earnings | 24,141.24 | 16,972.67 |
| Total Equity | 24,141.24 | 16,972.67 |

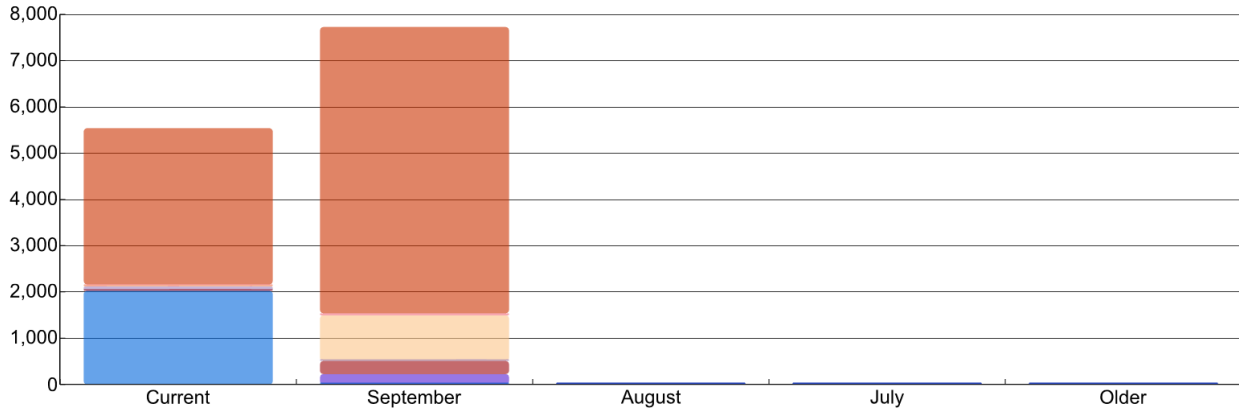
Aged Receivables

Cognito Solutions October 2008

Summary

Cognito Solutions has suffered as a result of unpaid accounts. This is a nationwide problem, with Baycorp reporting a larger number of defaulted payments. Cognito Solutions needs to ensure they have a good cash flow and in order to achieve this, must ensure that receivable invoices are promptly paid by customers.

Aged Receivables



| | Current | September | August | July | Older | Total |
|----------------------------------|-----------------|-----------------|-------------|-------------|-------------|------------------|
| Receivables | | | | | | |
| Basket Case | 0.00 | 990.01 | 0.00 | 0.00 | 0.00 | 990.01 |
| City Agency | 2,025.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,025.00 |
| Fullstop | 0.00 | 281.25 | 0.00 | 0.00 | 0.00 | 281.25 |
| Marine Systems | 96.18 | 0.00 | 0.00 | 0.00 | 0.00 | 96.18 |
| Red House Reads | 0.02 | 224.72 | 0.00 | 0.00 | 0.00 | 224.74 |
| Ridgeway University ² | 3,375.00 | 6,187.50 | 0.00 | 0.00 | 0.00 | 9,562.50 |
| Yates & Waverly Solicitors | 44.94 | 44.94 | 0.00 | 0.00 | 0.00 | 89.88 |
| Total Receivables | 5,541.14 | 7,728.42 | 0.00 | 0.00 | 0.00 | 13,269.56 |
| | 41.8% | 58.2% | 0.0% | 0.0% | 0.0% | |

Notes

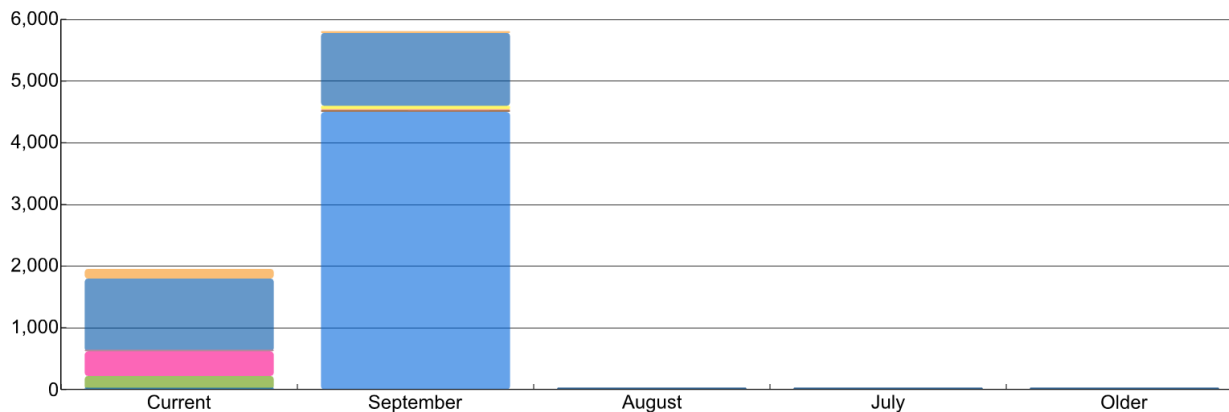
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Ridgeway University are our longest outstanding debtors, with \$6,187.50 46 days overdue, and \$3,375 overdue by 15 days. If this continues Cognito Solutions will not commence further work until complete payment of outstanding invoices has been received, along with a future deposit.

Aged Payables

Cognito Solutions October 2008

Aged Payables



| | Current | September | August | July | Older | Total |
|-----------------------------|-----------------|-----------------|-------------|-------------|-------------|-----------------|
| Payables | | | | | | |
| Big Electric | 219.38 | 0.00 | 0.00 | 0.00 | 0.00 | 219.38 |
| Hot Chilly | 0.00 | 21.19 | 0.00 | 0.00 | 0.00 | 21.19 |
| Qantas | 398.00 | 0.00 | 0.00 | 0.00 | 0.00 | 398.00 |
| Saatchi | 0.00 | 4,500.00 | 0.00 | 0.00 | 0.00 | 4,500.00 |
| Truxton Property Management | 1,181.25 | 1,181.25 | 0.00 | 0.00 | 0.00 | 2,362.50 |
| Victor Power | 156.94 | 0.00 | 0.00 | 0.00 | 0.00 | 156.94 |
| Vodafone | 0.00 | 23.90 | 0.00 | 0.00 | 0.00 | 23.90 |
| Wellington Tank Services | 0.00 | 56.25 | 0.00 | 0.00 | 0.00 | 56.25 |
| Total Payables | 1,955.57 | 5,782.59 | 0.00 | 0.00 | 0.00 | 7,738.16 |
| Expense Claims | | | | | | |
| Amy Smith | 1,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,250.00 |
| Total Expense Claims | 1,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,250.00 |
| Total | 3,205.57 | 5,782.59 | 0.00 | 0.00 | 0.00 | 8,988.16 |
| | 35.7% | 64.3% | 0.0% | 0.0% | 0.0% | |

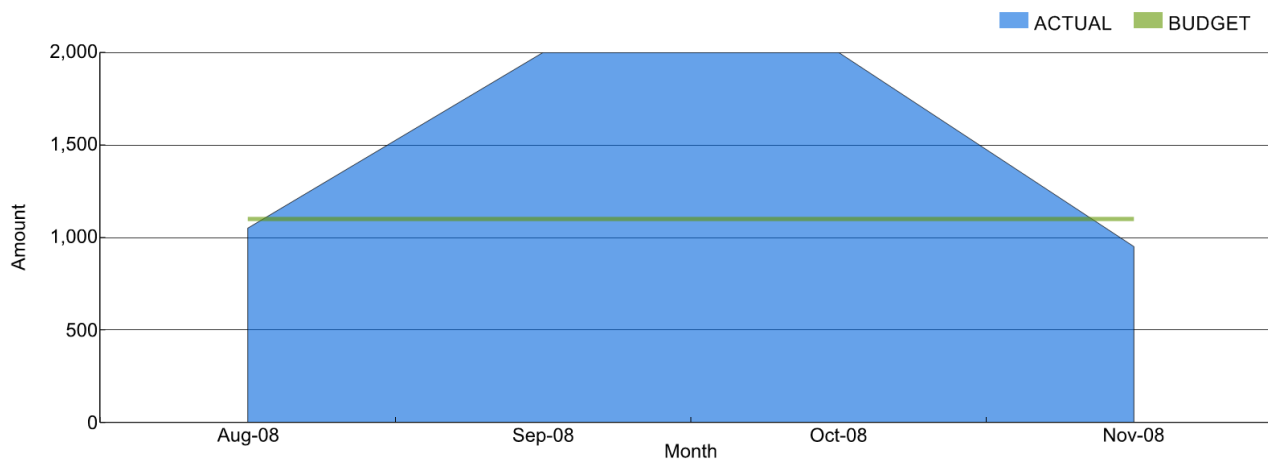
Rent Summary

Cognito Solutions From 22 Aug 2008 to 30 Nov 2008

Summary

The company found new premises in September, but were unable to get out of the existing lease until October, which accounts for the higher rent overheads

Monthly Balance



| Month | Actual | Budget | Variance |
|----------------|-----------------|-----------------|----------------|
| August 2008 | 1,050.00 | 1,100.00 | -4.5% ▼ |
| September 2008 | 2,000.00 | 1,100.00 | 81.8% ▲ |
| October 2008 | 2,000.00 | 1,100.00 | 81.8% ▲ |
| November 2008 | 950.00 | 1,100.00 | -13.6% ▼ |
| Total | 6,000.00 | 4,400.00 | 36.4% ▲ |